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THE CENTRAL ONTARIO REGION

ECONOMIC TRENDS AND FUTURE OUTLOOK

STAFF PAPER

Economic Development Branch
Ministry of Treasury, Economics
and Intergovernmental Affairs
March 1977

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ONTARIO MINISTRY OF
TREASURY AND ECONOMICS
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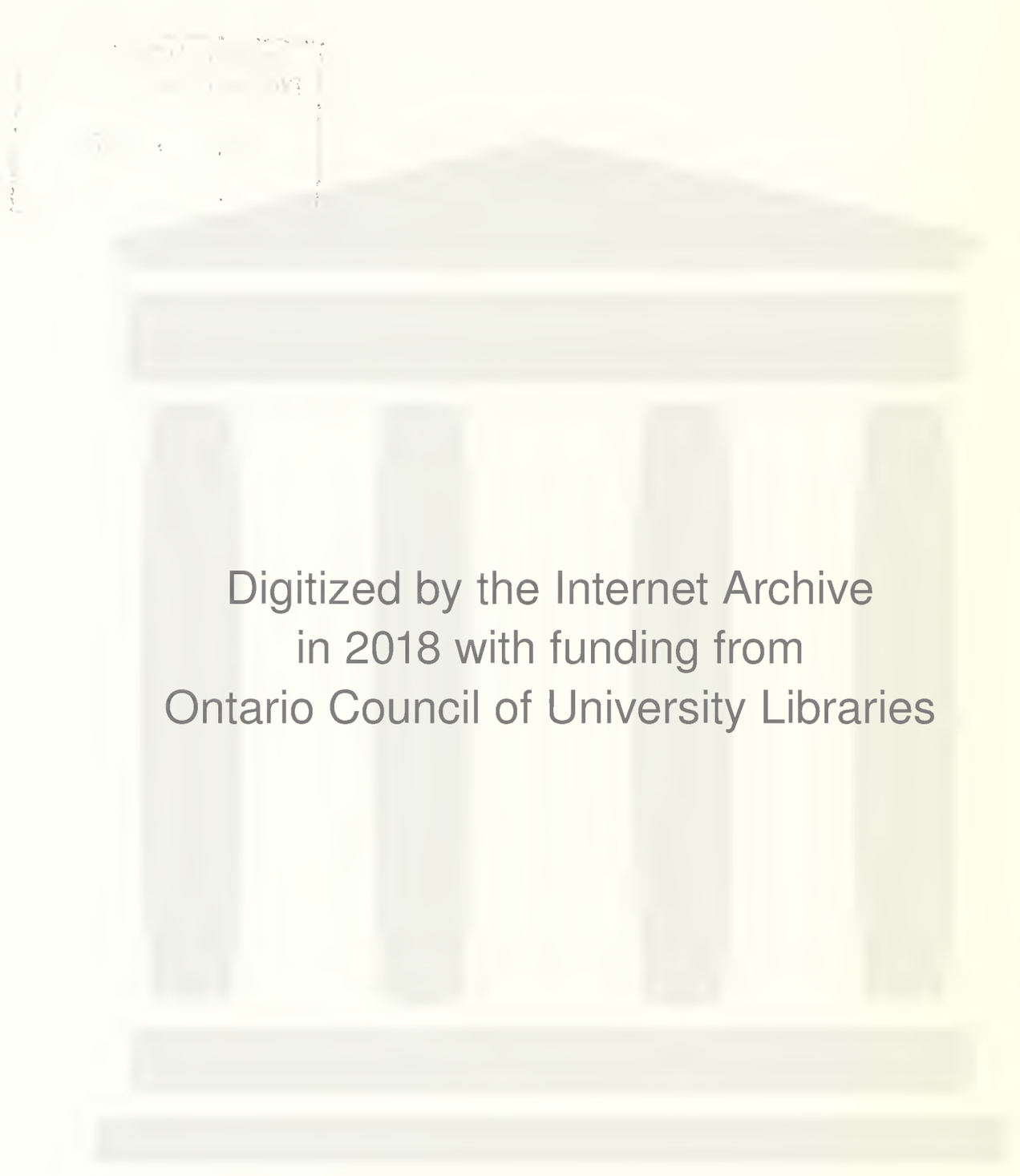

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SUMMARY

This paper reviews the existing pattern of economic activity in both the province as a whole and in Central Ontario (Figure 1). In addition, it outlines the future outlook for economic growth in Ontario and identifies the implications of this outlook for the Central Ontario Region (COR).

I. INTRODUCTION

Manufacturing and service industries represent the major sources of strength and growth in Ontario's economy. More than two-thirds of the activities in these sectors are concentrated in the COR, and accordingly over 65% of Ontario Real Domestic Product (RDP) is generated in this Region.

II. ECONOMIC PERFORMANCE

Overall Growth

. On the average, growth in Ontario RDP slowed down from an average of 6.8% during the 1960's, to 5.0% in the first half of the 1970's.

Employment

. In the 1960's, employment growth in the manufacturing and service industries was fairly high in the province as a whole, and especially so in the COR. As a result, the share of provincial employment in this region increased from 59% in 1961 to 62% in 1971, and this increasing trend continued in the early 1970's.

Employment Location

. Between 1966 and 1970, employment growth within the COR was greatest west of Toronto, due largely to expansion in the manufacturing industries. Between 1971 and 1974, more than 70% of employment growth in the COR was concentrated in Toronto-York, Peel, Halton, Hamilton-Wentworth and Durham.

Unemployment Areas

. The overall unemployment rate in the COR is usually identical to the provincial average, but the variations in the economic structure within the region have resulted in higher unemployment pockets in such counties as Niagara, Haliburton, Peterborough and more recently Simcoe, Muskoka and Victoria.

Income

. The average income per taxpayer in the COR continued to be higher than the provincial average. However, the gap between them narrowed, particularly between 1971 and 1974. The closing of this gap indicates a trend toward a more equitable distribution of income in the province.

. Toronto-York, Peel, Halton, Hamilton-Wentworth and Durham continued to have the highest average income in the province.

III. FUTURE ECONOMIC OUTLOOK AND IMPLICATIONS FOR COR

In general, the outlook for Ontario's economy indicates slower growth in output. The medium-term outlook indicates a slight increase in the average rate of output growth from 5.0% between 1970 and 1975 to 5.2% between 1975 and 1980. In the short term, output growth is expected to decrease from 5.3% in 1976 to about 5.0% in 1977.

The outlook for the provincial economy could lead to the following implications for economic development and growth in the COR:

. the growth of RDP will be higher in the COR than in the province as a whole.

. the unemployment rate in the COR could become slightly smaller than the provincial average.

. the average income in the COR will continue to be higher than the provincial average; however, the growth in COR's average income will decline in comparison with previous years.

. growth in manufacturing employment will continue to be high to the west of Toronto, but in general, employment growth will be slower than in previous years.

. Toronto's unemployment problem may be less serious than that of the province as a whole, but it is likely to experience slower growth in income.

. Simcoe, Victoria, Muskoka and Haldimand-Norfolk will experience slower growth than initially expected.

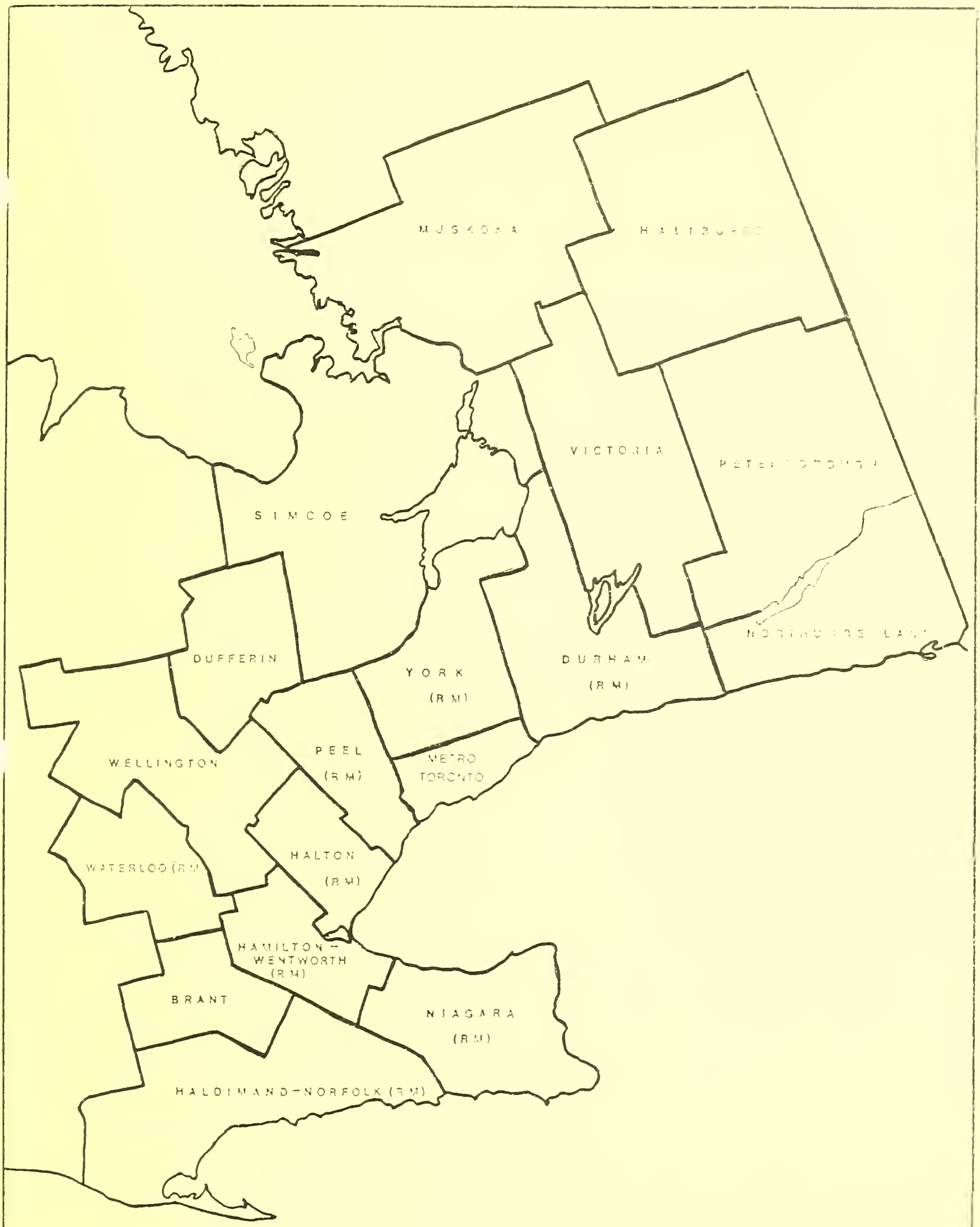

Fig. 1
CENTRAL ONTARIO
PLANNING REGION

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MINISTRY OF TREASURY, ECONOMICS AND INTERGOVERNMENTAL AFFAIRS.

I. INTRODUCTION

Since approximately two-thirds of Ontario's economic activities take place in the Central Ontario Region (COR), the economic performance of the COR and that of the province are closely related. Therefore, an analysis of the economic and employment patterns in this region requires a brief review of the economic performance of the provincial economy. The impact of this performance on the overall economic condition of the Central Region will be examined by considering four indicators: real domestic product, employment, unemployment and income. Finally, an analysis of the implications for the COR resulting from the future outlook for Ontario's economy will be presented.

II. THE PROVINCIAL ECONOMY

This section examines the pattern of growth in Ontario's Real Domestic Product[1] (RDP) and employment. It also reviews the performance of the major industries which contribute significantly to economic growth in the province in general and in the Central Region in particular.

Provincial Output and Employment

The annual average rate of growth in provincial output declined from 6.8% in the 1960's to 5.0% in the early 1970's (Table 1). The primary reason for this decline was the decreased rate of growth of

---

[1] Real Domestic Product (RDP) is the measure of total value added in production within the Ontario economy. Throughout this paper, this term and provincial output are used interchangeably.

output in the manufacturing and service sectors. As reflected in Table 1, between 1971 and 1975, manufacturing output increased by only 5.5% annually compared to 7.8% in the previous decade. Acting as a catalyst for the manufacturing sector, transportation equipment--and particularly the auto industry--provided much of the growth in the period 1960-75. However, the large slump experienced by this industry in 1974 contributed greatly to the overall decline in manufacturing growth between 1971 and 1975. The rate of growth in the service sector also declined in the early seventies, but the decline was not as great as in the manufacturing sector. Of all the service industries, public administration was the only one which experienced more growth during this period than in the 1960's.

ONTARIO REAL DOMESTIC PRODUCT AND EMPLOYMENT: AVERAGE ANNUAL GROWTH RATES BY SECTOR, 1961-75 — TABLE 1

	Real Domestic Product		Employment	
	1961-71	1971-75	1961-71	1971-75
Agriculture	2.9	1.2	-2.1	-2.5
Other Primary	3.2	-2.6	-0.5	-1.4
Manufacturing	7.8	5.5	2.3	0.7
Construction	6.6	5.2	3.8	4.3
Transportation-Utilities	7.1	6.1	2.2	2.3
Trade	6.5	5.6	3.8	4.9
Finance-Insurance	6.5	5.6	4.3	5.9
Business-Services	7.6	3.7	5.9	5.6
Public Administration	3.6	4.7	3.8	6.6
All Sectors	6.8	5.0	3.3	3.5

Source: A Long Term Projection of Ontario's Industrial Development Pattern, Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, June 1976.

In contrast to output, the rate of growth in total employment in Ontario was greater during the early 1970's than in the 1960's. Table 1 shows that between 1971 and 1975, employment grew in Ontario at the rate of 3.5%, compared to 3.3% during the 1960's. The service industries contributed significantly to this overall increase. Throughout the 1960's, business services, finance, trade and public administration exhibited the highest rates of growth in employment and this pattern continued into the early 1970's. Employment growth in public administration was particularly strong (6.6%) in the 1971-75 period.

A comparison of the rates of growth of output and employment for the 1961-71 period with those for 1971-75 indicates a decreased rate of productivity growth in Ontario's economy. In the earlier period, total output increased by 6.8% and employment by 3.3% while in the 1970-75 period, total output increased by only 5% and employment by 3.5%. These figures indicate that, although productivity did increase in the early seventies, this increase was significantly less than that experienced in the sixties. Despite its dampening effect on employment growth, productivity growth is essential for Ontario's industries to maintain their competitiveness in the domestic and foreign markets.

The declining rate of growth in Ontario's output is reflected in the pattern of industrial development in the province. Table 2 and Figure 2 indicate the shift in the shares of various industrial

sectors in the provincial product and the shifting shares in total employment. Between 1961 and 1975, the manufacturing sector made the greatest contribution to total provincial output. Until 1971, the manufacturing sector also accounted for the largest share of total employment, but by 1975, its share was only second largest. Community-business-personal services maintained a constant share of RDP over the fifteen years, but became increasingly more important as a source of employment, accounting for highest share of total employment by 1975. In 1961, the manufacturing sector accounted for 31% of total employment compared to 19% by community-business-personal serrvices, while in 1975, the employment shares

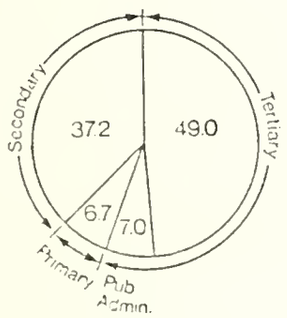
ONTARIO REAL DOMESTIC PRODUCT AND EMPLOYMENT: PERCENTAGE SHARES BY SECTORS, 1961-76 (%) TABLE 2

	Real Domestic Product			Employment		
	1961	1971	1975	1961	1971	1975
Primary	7	5	4	10	6	5
Manufacturing	32	35	36	31	29	25
Construction	5	5	5	6	6	6
Transportation-Utilities	10	11	11	8	8	7
Trade	12	12	12	15	16	17
Finance-Insurance	13	13	13	5	5	6
Business-Services	14	14	14	19	24	27
Public Administration	7	5	5	6	6	7
All Sectors	100	100	100	100	100	100

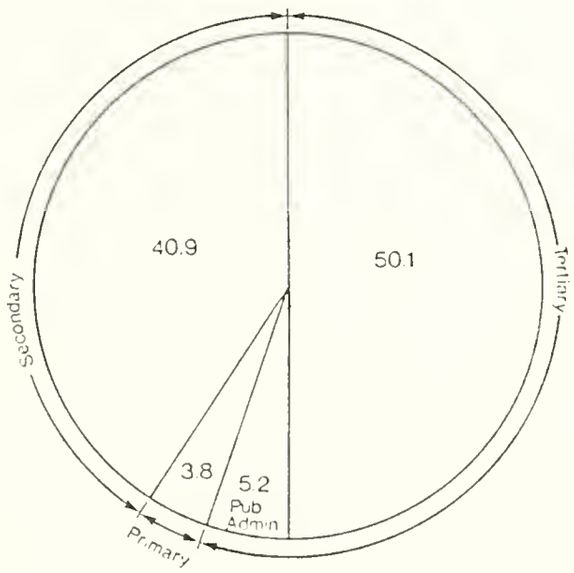
Source: A Long Term Projection of Ontario's Industrial Development Pattern, Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, June 1976.

of these industries were 25% and 27% respectively. The finance-insurances and transportation-utilities accounted for relatively high shares of total output although their shares of total employment were lower. The trade sector was also important in the provincial economy, ranking fourth in its share of total output and third with respect to total employment during this period.

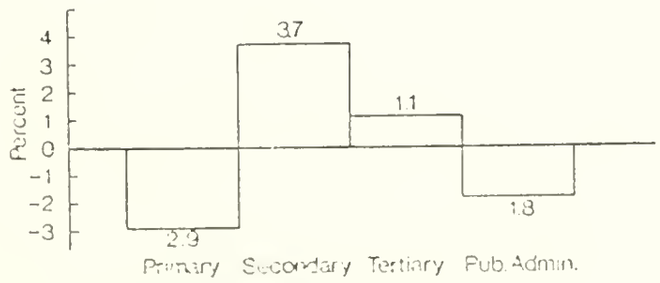
Fig. 2
PRODUCT: Sector Shares and Change 1961 to 1975



1961



1975



SHARE CHANGE 1961-1975

Leading Sectors in the Central Region

Over two-thirds of all provincial manufacturing, construction and service industries are concentrated in the Central Region. The overall performance of these industries at the provincial level therefore largely reflects their performance in the COR. The following review of Ontario's manufacturing, construction and service industries provides a basis for examining the economic and employment patterns in the COR.

Manufacturing

In the 1960's, manufacturing contributed significantly to the growth in the provincial product, largely due to expansion in the transportation equipment industries. Since 1970, however, Ontario manufacturing has experienced slower growth, although it has been sufficient to maintain its lead at the national level. Between 1971 and 1974[2] Ontario manufacturing production averaged:

- $32.8 billion in the value of shipments, or 51% of the Canadian total:
- $15.7 billion in value added, or 53% of the Canadian total;
- 12,598 establishments, or 59% of the Canadian total;
- $24,050 in productivity (measured by value added per worker) as compared to $22,180 for Canada;
- 39% increase in productivity, as compared to 45% in Canada.

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[2] "Distribution of Manufacturing Activity by Industry Groups and Regions," Staff Paper, Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, January 1977.

In brief, Ontario's manufacturing sector is still highly competitive at the national level. Its higher share of the Canadian value added than value of shipments indicates the ability of Ontario to process to a more final output stage. Because it is the most capital intensive in the country, the manufacturing sector in Ontario continued to have the highest level of productivity in Canada, despite a slower than average growth in productivity.

The strengthening of the transportation equipment industry, particularly the recovery in the U.S. auto market, was one of the main factors contributing to manufacturing growth in 1976. Forecasts indicate strong growth in the auto industry until late 1977. However, after the third quarter of 1977, a noticeable decline is anticipated, primarily due to an expected slow-down of this industry in the U.S. This decline could quickly move to other auto-related manufacturing industries in Ontario by 1978.

The future outlook for Ontario's manufacturing sector could also be affected by the relative level of its productivity in comparison to its international competitors, particularly those in the U.S. Between 1960 and 1975, productivity growth in Canadian manufacturing was very limited, and continued to be about 35% less than the productivity growth in the U.S. manufacturing sector. The most significant growth in Canadian manufacturing productivity occurred between 1966 and 1971, a major factor in this growth being the rationalization of Ontario's automotive sector. Between 1971 and 1974, however, Canadian manufacturing productivity improved only

slightly, and in 1974 was still 20% behind that of the U.S. This lag decreases the competitiveness of Ontario's manufacturing not only on the international market, but more importantly, on the domestic market. The lag has been further intensified by the strength of the Canadian dollar relative to the American dollar in recent years.

The future outlook for Ontario's manufacturing sector could be further weakened by some emerging trends which affect interprovincial trade at the national level. Expected development of the industrial base in the Prairies could result in slower growth of investment in Ontario.

Construction Industry

The construction industry is divided into two major components: the residential sector and the non-residential sector. In the past, residential construction has been a source of strength, but will likely moderate in the future. In 1975, employment in this sector managed to maintain a fairly constant level, but the expected decline in housing starts during 1977 could contribute to lower employment. Delays in non-residential construction as a result of spending restraint policies for Ontario Hydro, etc., could further slow growth in this sector.

Transportation, Communications and Utilities

The transportation, communications and utilities industries have traditionally contributed a significant share to provincial output. However,

continued productivity growth in this sector has resulted in a lower share of provincial employment. In the last few years, this sector has experienced steady growth, primarily due to expansion in electric power stations, such as the Bruce Hydro station and in urban transit projects, such as the new Spadina Subway line. Future growth in this sector may be slowed down by delays in the construction of such projects as power stations and transmission lines and by declining investments in the manufacturing sector.

Trade and Services

The shifting pattern in consumer spending away from durable goods towards services seems to be affecting growth in trade and services. Growth in retail sales is declining, but the service sector is steadily growing. As they employ a large portion of the work force, service industries contribute significantly to labour market stability. With relatively lower wage levels compared to the manufacturing sector, the service industries tend to slow down the overall growth in income. Accordingly, the expected increase in employment in the service industries will result in declining growth in income in Ontario. However, the stabilizing role of these industries in the labour market will become more evident in the coming year.

Public Administration

Like many service industries, growth in the public administration sector's contribution to total output between 1961 and 1975 continued to be slower than the provincial average while growth in employment was higher. Growth in employment in this sector between 1971 and 1975

was significantly higher than during the 1960's. In the past, employment by the Ontario Government has been a major force, contributing about 25% of the total employment in this sector. However, the spending restraint policies introduced by the Government of Ontario in 1975 had a major impact on the growth of the overall employment in the public sector.

III. THE COR ECONOMY

The overall performance of the provincial manufacturing and service sectors has long shaped the level of economic development and growth in the COR, but it has particularly done so in the last few years. The declining growth in national and international demand has accentuated the cyclical pattern of performance in these industries and this has been strongly reflected in the economic performance of the Central Region. The impact of the performance of these industries on the economic conditions in COR will be examined by analyzing four major economic indicators: output, employment, unemployment and income.[3]

Output

The economy of Central Ontario is particularly important for the Ontario economy as a whole, as it constitutes over two-thirds of the total provincial output and employment as illustrated in Figure 3. Table 3 shows that over two-thirds of the manufacturing, construction and service industries in the province are concentrated in this region. Figure 4 shows that the secondary industries, i.e.,

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[3] The analysis focuses on the recent past, i.e., since 1971. However, the data limitations for this period limit the comprehensiveness and consistency of this analysis.

manufacturing and construction, represent a major source of strength in Ontario, particularly in the Central Region.

TABLE 3
CENTRAL REGION'S SHARE* OF ONTARIO'S REAL DOMESTIC PRODUCT: SELECTED SHARES, 1971-75 (%)

	1971	1972	1973	1974	1975
Manufacturing	71	71	71	72	73
Construction	65	70	71	71	71
Transportation-Utilities	61	62	62	62	63
Trade	66	66	68	67	67
Business-Services	62	63	63	63	63
Finance	73	73	74	74	74
Total	na**	na	na	67	67

Source: "Ontario Domestic Product by Industry by Region," a staff paper; Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, January 1977.

* % of total provincial output generated in the Central Region.
** na = not available.

Between 1971 and 1975, manufacturing contributed over one-third of the total output in the COR. On the average, this share was about 3% higher than the contribution of manufacturing to the total provincial output. This suggests that there is an even greater dependence on the manufacturing sector in this region than in the province as a whole. With the slow growth in Ontario manufacturing, future growth in total output in the COR is expected to be slower than in previous years. The projected average annual rate of output growth in the COR for the three-year period, 1975-77, may prove to be as much as 2% below the average output growth experienced in the 1972-74 period.

Similarly, the service industries contributed a relatively high share of output in this region, compared to the province as a whole. The growing presence of service industries in this region has narrowed the gap between the growth of output in Central Ontario and the growth of total provincial output. The average annual rate of output growth in COR was about one-half of one per cent above the provincial average for the period 1972-74. For the period 1975-77, this region and the province may record about equal growth performances.

Fig. 3
COR's SHARE OF ONTARIO
Real Domestic Product 1975

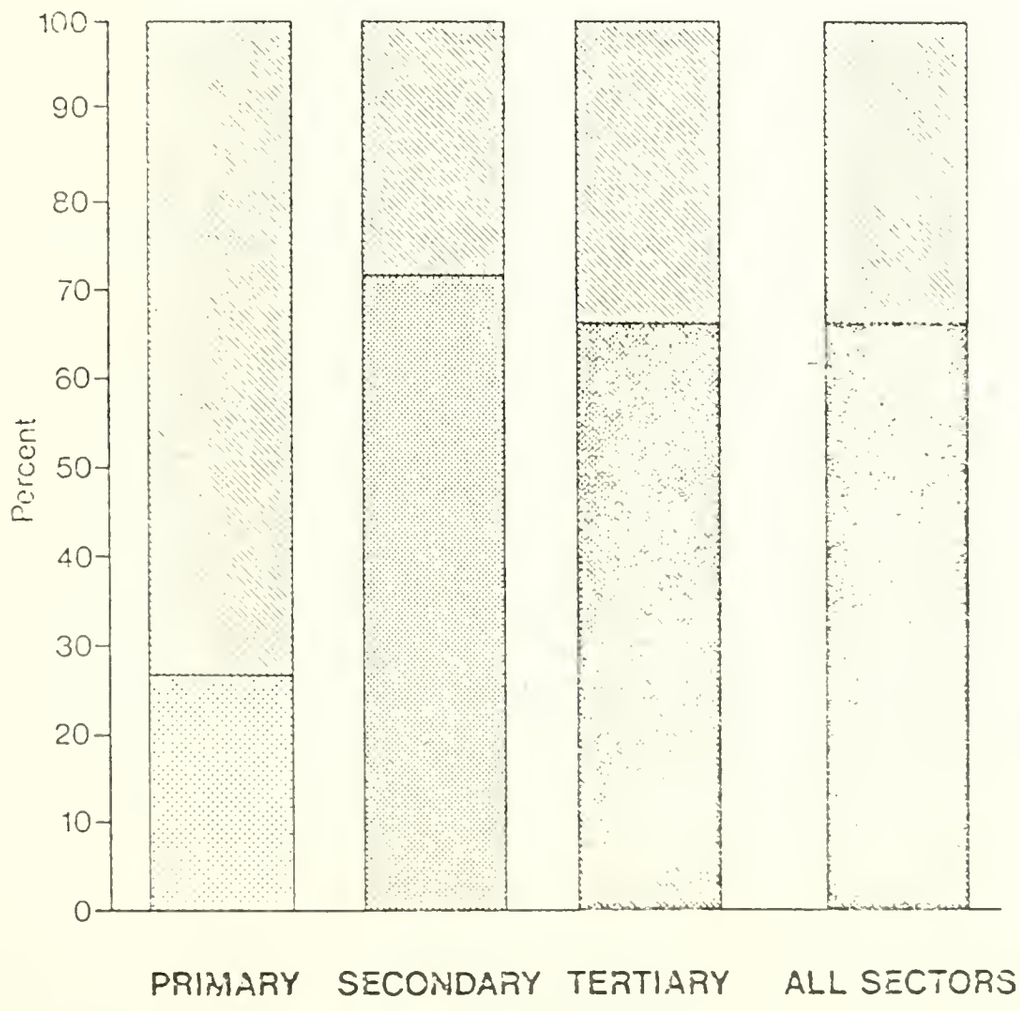
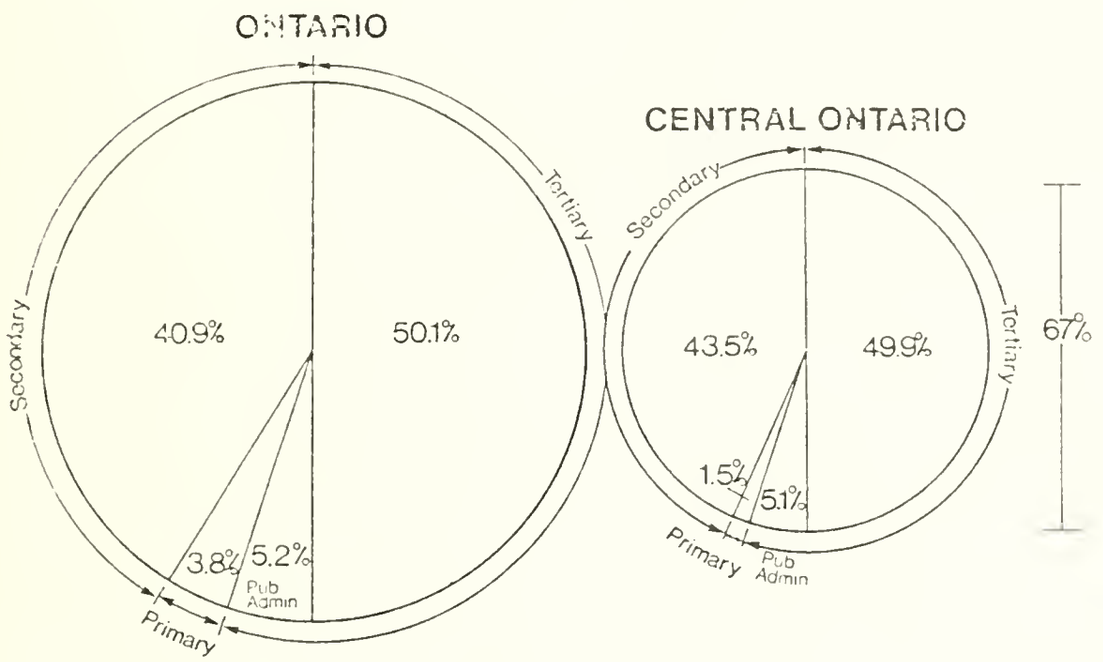
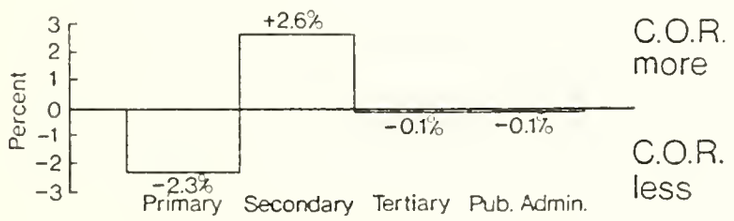


Fig. 4

TWO ECONOMIES: 1975 Product Structure





C.O.R. COMPARED WITH ONTARIO

Employment

In general, employment growth in the manufacturing and service industries continued to be highly concentrated in the COR. As a result, this region continued to have an increasing share of total provincial employment throughout the period 1951-71. In 1951, the Central Region had only 56% of total provincial employment; this share was increased to 59% and 62% in 1961 and 1971 respectively. The increasing share of provincial employment within the COR was mainly due to:

- higher employment growth than the provincial average in the manufacturing sector, with COR's share of manufacturing employment in the province increasing from 67% in 1951 to 71% in 1971.

- higher employment growth than the provincial average in the service sector, with COR's share of provincial service employment increasing from 57% in 1951 to 62% in 1971.

Within the Central Region, employment opportunities were also continuing to concentrate. In 1951, 67% of all employment opportunities were located in the Golden Horseshoe (Zone 1, Toronto Centred Region).[4] This increased to 70% in 1971. During the early seventies, this trend continued. Specifically:

- between 1961 and 1971, employment growth in Metro Toronto, Halton, Peel and York was higher than the provincial average, Peel having the highest growth rate. Employment in Hamilton-Wentworth and Durham continued to increase at a slower rate than the provincial average.

- between 1971 and 1974, more than 70% of total growth in the COR employment continued to be concentrated in the Golden Horseshoe (Table 4). In particular, Figure 5 illustrates that about 40% of total COR employment growth was concentrated in Toronto-York. Peel ranked second (14%), followed by Hamilton-Wentworth (8%), Durham (7%) and Halton (3%). This suggests the continuation of higher employment growth west, rather than east, of Toronto.

Employment growth between 1966 and 1970 to the west of Toronto, within the central region, can be explained[5] by growth in the manufacturing sector, particularly the transportation equipment industries. Growth in

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[4]Approximated by six regional municipalities: Durham, Halton, Peel, Metro Toronto, Hamilton-Wentworth and York.

[5]"Locational Preferences of New Manufacturing Firms on the Periphery of Metropolitan Toronto", Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, April 1976.

CENTRAL REGION'S EMPLOYMENT: GROWTH SHARES BY COUNTY (%) TABLE 4

	1971-1972	1972-1973	1973-1974	1974-1975
York + Toronto	42.38	35.07	44.47	40.23
Hamilton-Wentworth	7.58	14.58	-1.95	7.78
Halton	1.39	3.14	5.41	3.02
Peel	12.31	12.99	19.82	14.41
Ontario + Durham	3.08	9.68	9.21	7.00
Total Central Lakeshore Area	66.74	75.46	76.96	72.44
Brant	1.98	2.70	-1.52	1.38
Dufferin	1.51	1.03	.74	1.14
Haldimand-Norfolk	1.81	.65	3.94	1.91
Haliburton	.25	1.26	- .57	.41
Muskoka	1.76	.49	1.79	1.30
Niagara	5.69	5.10	8.97	6.28
Northumberland	.93	- .25	2.21	.81
Peterborough	.68	1.73	2.33	1.47
Simcoe	7.73	5.38	-2.72	4.30
Victoria	1.14	- .03	.16	.47
Waterloo	6.92	4.66	6.09	5.89
Wellington	2.77	1.74	1.57	2.10
Total Outer Area	33.17	24.46	22.99	27.46
Total COR	100.00	100.00	100.00	100.00

Source: Based on data from Taxation Statistics, Canada, Department of National Revenue, 1971-74

these industries was mainly provided by large manufacturing subsidiaries who tended to locate more in Peel-Halton than in the Regional York or Durham areas. As a result, Peel attracted 49 new firms, and gained over 3,000 new jobs, 89% of which were provided by subsidiaries.

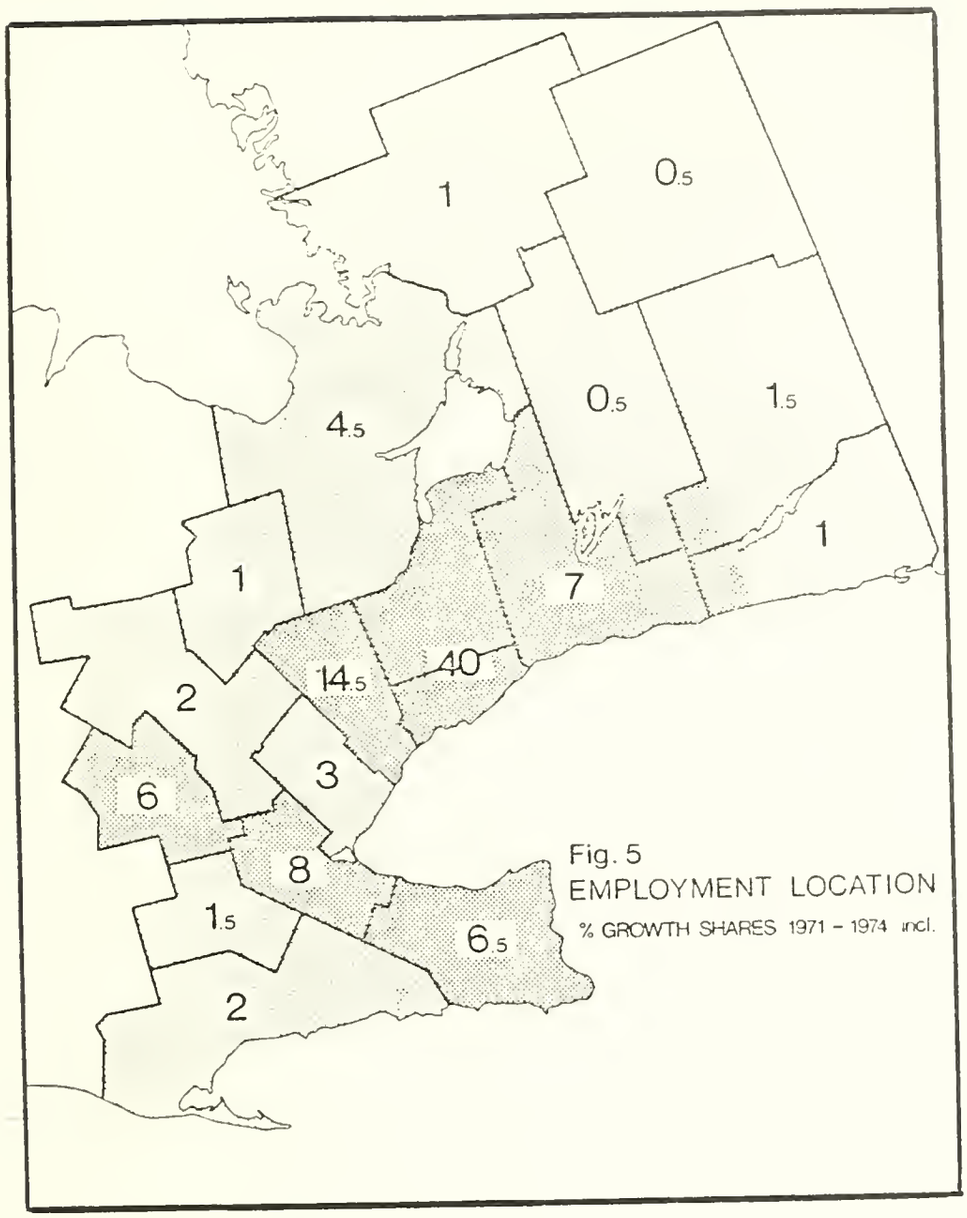


Fig. 5
EMPLOYMENT LOCATION
% GROWTH SHARES 1971 - 1974 incl.

Unemployment

The unemployment rate in the Central Ontario Region tends to be almost identical to that of the province as a whole. This is because about 70% of the economic activities in the province are concentrated in this region. However, the differences in the employment growth across industries together with the variations in labour force adjustments to such growth have resulted in variations in the pattern of unemployment within the Region itself.

A detailed analysis[6] of unemployment patterns within this region shows that (Table 5):

CENTRAL REGION'S UNEMPLOYMENT: CONCENTRATION AND GROWTH BY COUNTY 1951, 1961 and 1971 (%) TABLE 5

	CONCENTRATION*			GROWTH**		
	1951	1961	1971	1951	1961	1971
York + Toronto	1.1	1.0	1.0	1.0	2.9	6.5
Hamilton-Wentworth	.9	1.3	1.2	1.0	4.9	9.0
Halton	.4	.6	.8	1.0	4.8	13.3
Peel	.8	.7	.8	1.0	3.0	6.8
Durham	1.0	.8	1.0	1.0	2.6	7.0
Brant	1.0	.9	1.1	1.0	3.0	7.9
Dufferin	.5	.4	.6	1.0	2.8	8.0
Haldimand-Norfolk	.9	.6	.7	1.0	2.2	5.3
Haliburton	1.2	1.2	1.0	1.0	3.2	5.8
Muskoka	1.2	1.0	1.0	1.0	2.8	5.6
Niagara	1.1	1.2	1.1	1.0	3.7	6.9
Northumberland	1.0	.6	1.0	1.0	2.1	6.9
Peterborough	1.1	1.2	1.2	1.0	3.5	7.4
Simcoe	1.0	.7	1.0	1.0	2.3	6.8
Victoria	1.0	.9	.9	1.0	2.4	6.4
Waterloo	.6	.9	.8	1.0	4.8	9.7
Wellington	.5	.6	.7	1.0	4.2	1.0
Total Ontario	1.0	1.0	1.0	1.0	3.3	6.9

Sources: Based on Census information for labour force, 1951, 1961 and 1971.

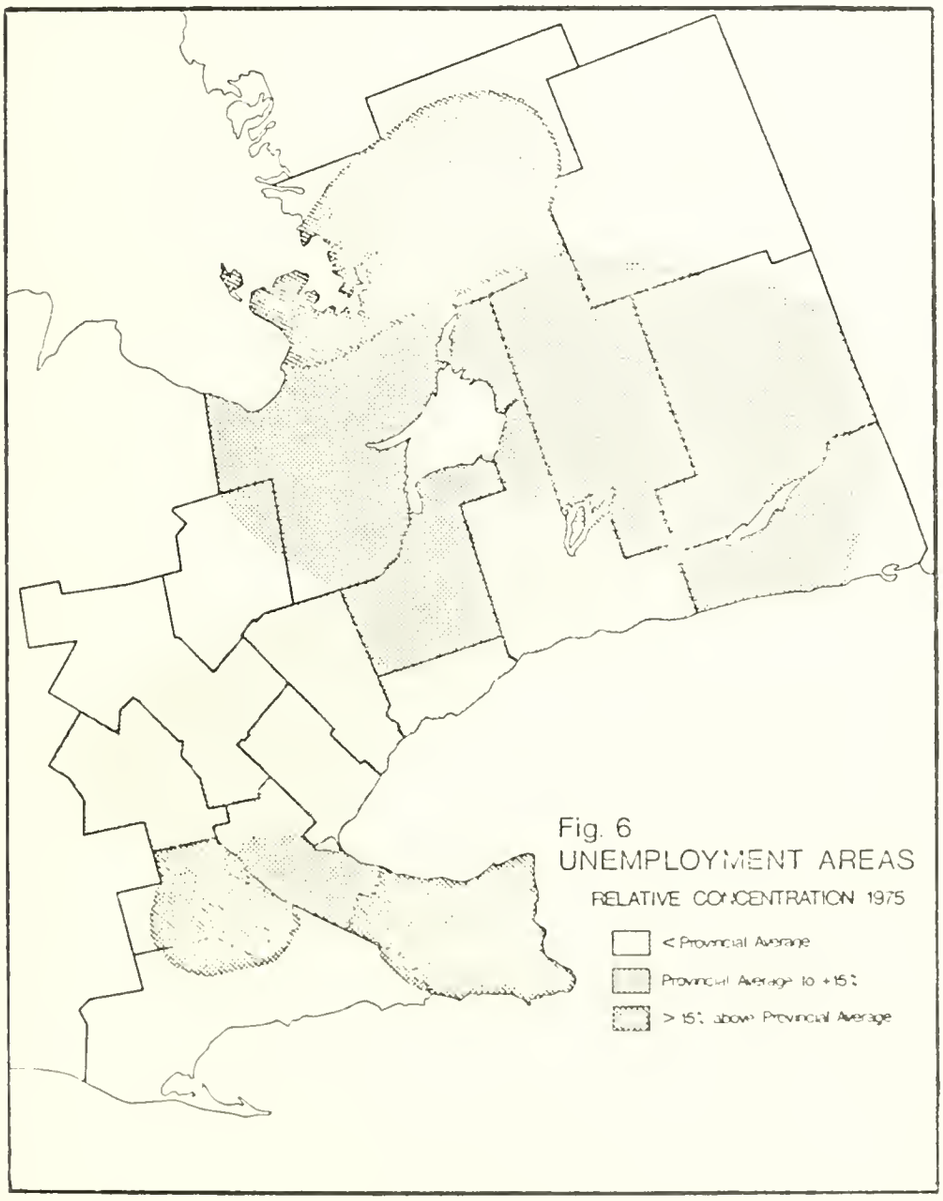
* Unemployment rate by county compared to provincial average.

** Taking 1951 rate as unity.

[6] To avoid problems in time-series comparison that could arise simply from variations in the definitions of unemployment rates, this analysis used unemployment indices rather than actual unemployment rates. The indices simply normalize unemployment rates within the COR in relation to the provincial average.

- Hamilton-Wentworth, Niagara, Peterborough and Haliburton continued to experience the highest level of unemployment in comparison to the provincial average. Despite the contrast in the level of economic development between Hamilton-Wentworth-Niagara, and Peterborough, high unemployment rates in these four areas could be largely explained by slower adjustments in the labour force in the face of slow economic growth.

- Halton, Waterloo, Hamilton-Wentworth and Brant experienced the highest growth in unemployment rates. This could be due to the growth of auto related industries in these areas. These industries are characterized by relatively high temporary unemployment to adjust for fluctuations in demand and investories.



- Toronto-York experienced higher unemployment rates than other counties between 1951 and 1971. This high unemployment could be partly explained by the high concentration of service industries, which have higher than average unemployment rates in comparison with other industries. In addition, the larger growth in the labour force compared to employment growth could have contributed to this relatively high unemployment.

Figure 6 illustrates the relative concentration of unemployment in the COR in 1975. In relation to the provincial average, Table 6 shows that between 1974 and 1976:

- Niagara area continued to have the highest unemployment level. This could be explained by continued stagnation in employment growth, the high concentration of automotive industries, and a high concentration of tourist activities.

- Simcoe, Muskoka and Victoria recently experienced relatively high unemployment levels which could be explained by the high concentration in the tourist industry, the final demand for which is depressed in a period of slow growth in the overall economy.

- Peterborough and Brant experienced increasing unemployment; this reflects the accentuated effects of declining economic growth in the slower-than-average growth areas.

CENTRAL ONTARIO REGION'S UNEMPLOYMENT - CONCENTRATION BY SMALL AREA ESTIMATES — TABLE 6

		Average Annual*		1st Quarter Average*	
		1974	1975	1975	1976
Muskoka	Bracebridge	1.31	1.22	1.50	1.59
Simcoe	Barrie	1.21	1.09	1.36	1.18
	Collingwood	1.24	1.12	1.45	1.31
	Midland	1.53	1.33	1.69	1.39
	Orillia	1.31	1.09	1.30	1.42
Northumberland	Cobourg	1.09	1.04	1.05	1.27
Victoria	Lindsay	1.12	1.07	1.05	1.36
Durham	Oshawa	0.92	0.92	0.84	0.92
Peterborough	Peterborough	1.19	1.03	0.98	1.28
Peel	Brampton	0.85	0.88	0.83	1.01
York	New Market	1.02	1.01	0.98	1.02
Toronto	Toronto	0.90	0.87	0.83	0.85
Halton	Oakville	0.90	0.79	0.79	0.75
Brantford	Brant	0.97	1.19	1.20	1.14
Waterloo	Cambridge	0.70	0.93	0.97	0.95
	Kitchener-Waterloo	0.60	0.90	0.88	0.91
Wellington	Guelph	0.60	0.76	0.70	0.72
Hamilton-Went.	Hamilton-Went	0.95	1.11	1.02	0.97
Niagara	Fort Erie	1.36	1.55	1.75	1.55
	Niagara Falls	1.24	1.31	1.50	1.47
	Port Colborne	1.26	1.41	1.51	1.44
	St. Catharines	1.34	1.38	1.48	1.43
	Welland	1.19	1.19	1.26	1.24
Ontario		1.00	1.00	1.00	1.00

Source: Based on Small Area Unemployment Estimates, Canada, Department of Manpower and Immigration.

*Unemployment rate of municipality compared to provincial average.

Personal Income

The variations in both the economic structure and the employment opportunities in the COR have strongly affected the pattern of income distribution within this region. Table 7 shows the variations in the level of average income per taxpayer in the Region as compared to that of the province between 1961 and 1974, while Figure 7 illustrates the levels of average income in 1974. In particular:

CENTRAL REGION'S INCOME PER TAXPAYER* BY COUNTY ($) TABLE 7

	1961	1971	1974
York + Toronto	4652	7865	10483
Wentworth	4637	7822	10578
Halton	4902	8547	11491
Peel	5111	8564	11013
Ontario + Durham	4386	7794	10294
Total Central Lakeshore Area	4661	7928	10565
Brant	4218	6936	9791
Dufferin	3576	6875	9393
Haldimand-Norfolk	4437	6661	9318
Haliburton	4109	5767	9798
Muskoka	3732	6430	8769
Niagara	4517	7570	9953
Northumberland	3942	6501	9288
Peterborough	4375	7188	9731
Simcoe	3803	6525	8959
Victoria	3750	6285	9016
Waterloo	4168	7198	9504
Wellington	4093	6985	9706
Total Outer Area	4233	7072	9553
Total COR	4564	7717	10310
Total Ontario	4498	7626	10203

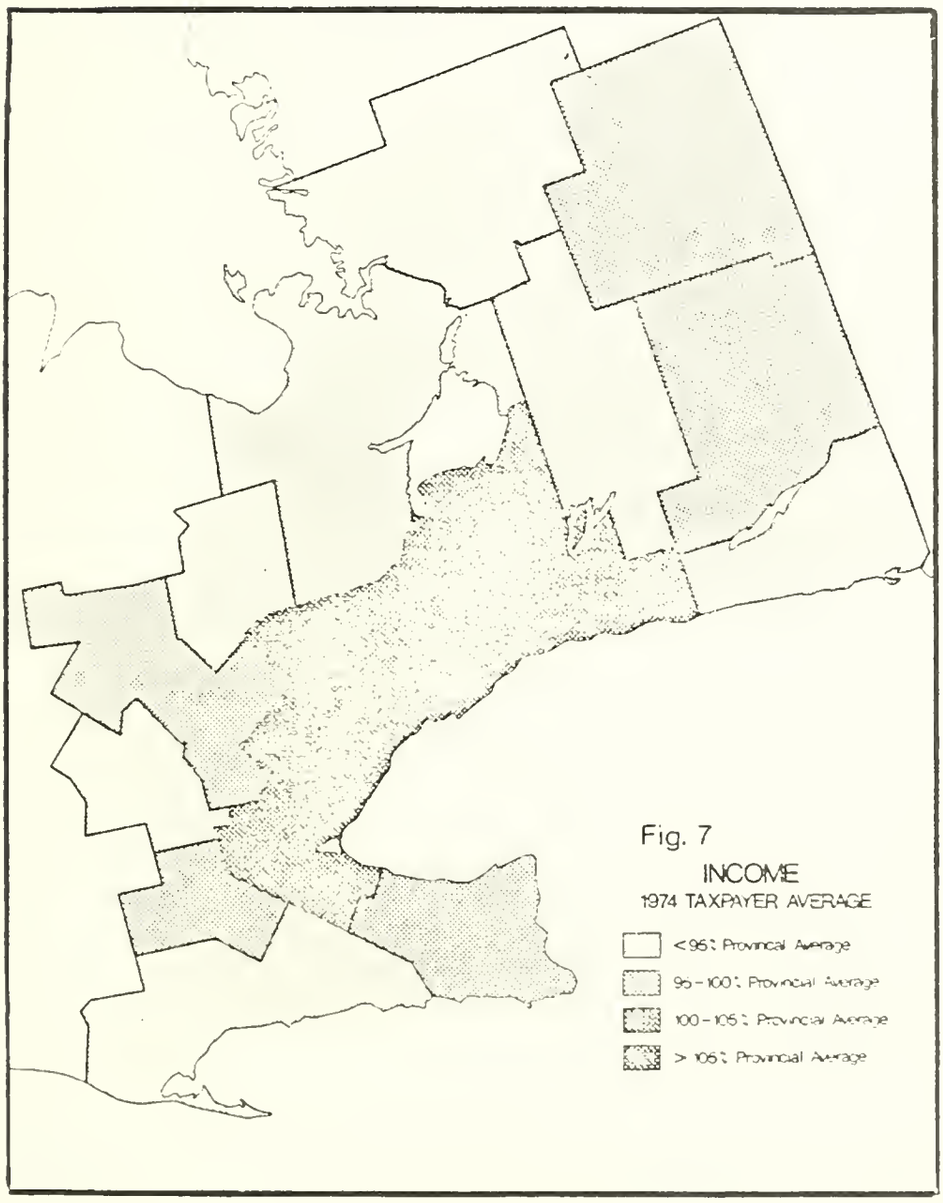
Source: Taxation Statistics 1963, 1973 and 1976 Editions, Canada Department of National Revenue.

*Income per taxpayer calculated by dividing total income by number of returns for taxable returns only.

- average income in the COR continued to be higher than the provincial average, but the differential between them continued to decline, particularly during the 1971-74 period. This was mainly due to a slow growth in the COR's average income rather than a high growth in the provincial average.

- although this suggests a trend towards equalizing, it is an equalization towards the lower rather than the higher level of income. The higher share of total employment of the service industries compared to manufacturing industries in the COR could in part explain this equalization towards the lower income levels.

- six out of the eighteen counties in the COR continued to have income levels higher than the provincial average. These included Toronto-York, Peel, Hamilton-Wentworth, Halton and Durham.



- in 1971, almost 70% of the variations in the average income across the counties could be explained by variations in the economic structure in these counties.[7] Manufacturing employment proved to be the most significant industrial activity that explains such variations in income.

III. FUTURE OUTLOOK

This section outlines the expectations for future economic growth in Ontario, and identifies the implications of these expectations for economic development and growth in the Central Ontario Region.

The Provincial Economy[8]

Basic trends for Ontario's industrial development pattern for the year 1980 reflect the declining growth in total final demand for the provincial economy but are optimistic about both future economic recovery and Quebec policies for interprovincial trade. Table 8 shows the growth rates and shares expected in 1980 while Figure 8 illustrates the growth rates in provincial output from 1961 to 1980.

In general, growth in RDP is expected to increase slightly over the coming five years (5.2%) in comparison with the average growth rate experienced over the last five years (5.0%). But with minor increases in productivity, total employment is expected to increase

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[7] Using both simple and multiple regressions between income per taxpayer and per capita labour force by industry for 1971.

[8] "A Long Term Projection of Ontario's Industrial Development Pattern", Ministry of Treasury, Economics and Intergovernmental Affairs, Economic Policy Branch, June 1976.

ONTARIO REAL DOMESTIC PRODUCT AND EMPLOYMENT: GROWTH RATES AND SHARES BY SECTOR, 1960 — TABLE 8

	Growth Rates*		Shares	
	RDP	Employment	RDP	Employment
Agriculture	2.5	-0.5	1.7	2.7
Other Primary	1.9	-0.6	1.5	1.2
Manufacturing	5.3	1.4	36.2	22.7
Construction	5.0	2.9	4.7	6.3
Transportation-Utilities	6.1	1.6	11.6	6.6
Trade	6.0	4.5	12.6	18.5
Finance	4.9	3.6	13.1	6.0
Business-Services	5.0	4.4	13.5	28.8
Public Administration	4.0	3.0	4.9	7.2
All Sectors	5.2	3.1	100.0	100.0

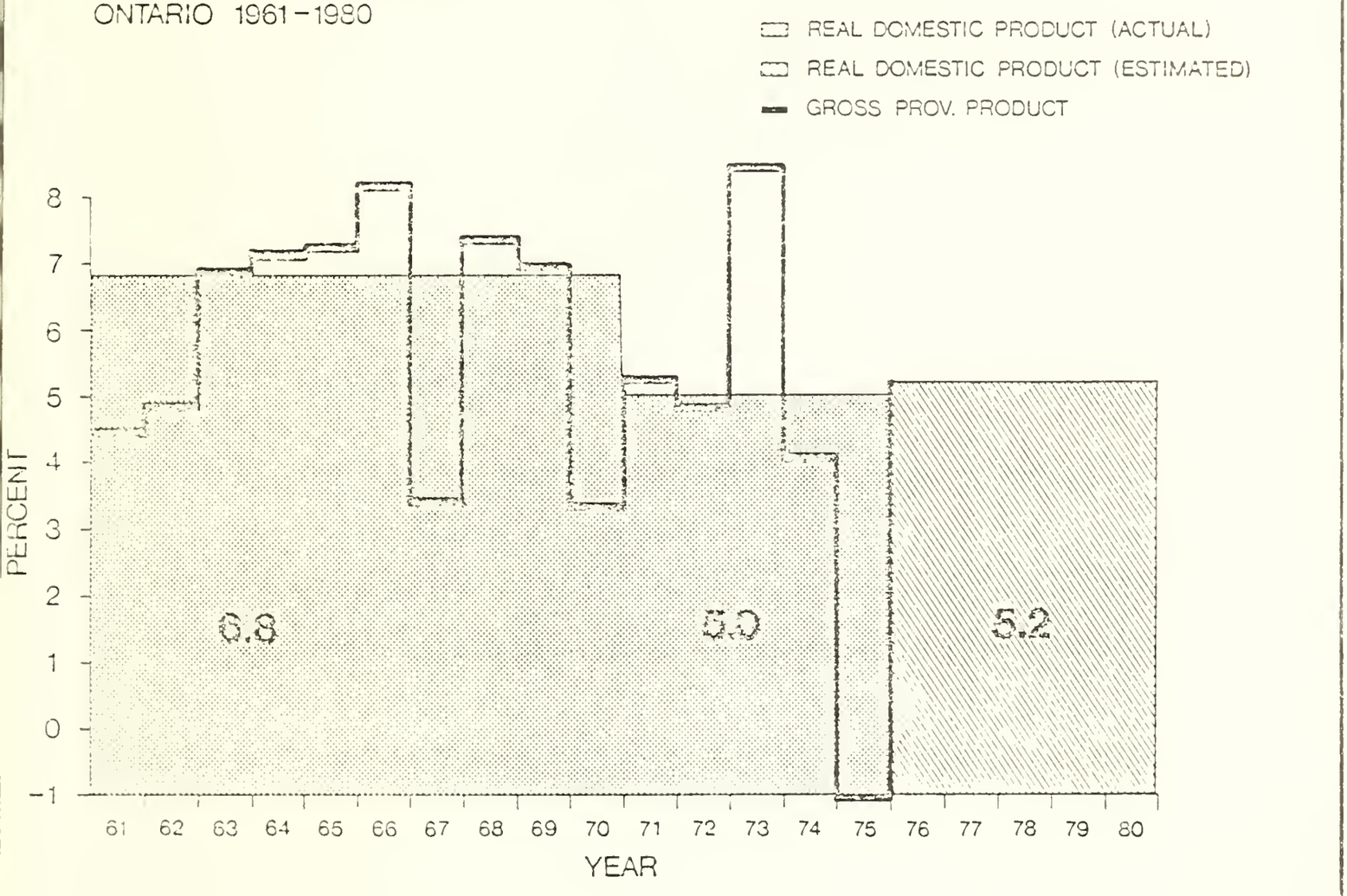
Source: "A Long Term Projection of Ontario's Industrial Development Pattern", Ministry of Treasury, Economics and Intergovernmental Affairs, Office of Economic Policy, June 1976.

*Average annual rates of growth over the five-year period 1975-80.

at a slower rate (3.1%) than that experienced between 1970 and 1975 (3.5%). Output growth over the next five years is expected to increase slightly in the goods sector (5.0%) and more so in the service sector (5.3%). As a result, by 1980 the service sector's share of the total provincial economy will increase to 55.8% of output and 67.1% of employment.

More specifically, the major strength of Ontario's economy between 1975 and 1980 should be in three sectors: manufacturing, transportation-utilities, and trade. On the average, these industries

Fig. 8
PRODUCT GROWTH RATES
ONTARIO 1961-1980



will grow at a higher rate than the provincial average although manufacturing will grow at a slower rate than that experienced between 1970 and 1975. Manufacturing will continue to generate over 36% of provincial output in 1980.

The industries that will make a major contribution to employment growth in the province will be trade, finance-insurance, and personal services. While growth in these three industries will continue to be

higher than the provincial average, employment growth in construction and public administration will be much slower, in contrast to the 1970-75 period. Although employment growth in the manufacturing sector is expected to improve slightly over that of the 1970-75 period, it will continue to contribute a steadily declining share of total employment in the province.

Implications for the Central Ontario Region

The stronger than average 1975 performance contributed to a smaller than average 1976 output for the COR. Projected growth averaged over the 1975-77 period is expected to be much the same for the COR and the province as a whole, indicating that in 1976 and 1977 the COR economy will experience a marginally higher growth rate than the provincial economy.

While manufacturing (32% of COR output) will continue to grow in 1977, it will do so at a slower rate than last year. Construction activities (6% of COR output) are likely to suffer an absolute decline. Continuing growth in the service sector (about 56% of provincial output) will help to stabilize employment opportunities. However, the relatively lower wages in this sector will slow down growth in the average income of the Central Region.

The future outlook for the COR economy could have the following implications:

- in the short term (1977), the higher growth expected in the service sector, coupled with the high concentration of this sector in the COR, should result in a higher growth of output for this region compared with the province.

- with its high share of service industries, the COR could experience a higher growth in employment than either the 1977 provincial average, or the employment growth experienced by this region during 1976. This could result in a smaller average unemployment rate in the COR in comparison with the province.

- growth in output in the Central Region will continue at a faster pace than in the province as a whole. Based on that growth, average income levels in the COR will be maintained at a higher-than-provincial average. However, with the bulk of income growth generaged by the service sector, increases in the COR's average income may be more modest than in previous years. As a result, the gap between income levels in the COR and the province could actually decline.

- the continued slowdown in income growth, coupled with increasing gasoline prices, will depress the demand for recreational and tourist activities. As a result, over the coming few years, Simcoe, Muskoka and Victoria will experience a declining growth over that of the early 1970's.

- the expected slower rate of growth in the manufacturing sector may be stimulated by growth in the auto and related industries. With no changes in the current structure of the automotive sector, growth in manufacturing employment will continue to be concentrated west, rather than east, of Toronto. Peel will be facing slower growth than previously and Halton may gain more in employment growth. Slow growth could continue in Hamilton-Wentworth, Niagara, and Haldimand-Norfolk.

- over the coming few years, the expected slower rate of growth in finance, insurance and public administration will dampen employment growth in Toronto. However, continued growth in trade and services would compensate this effect. In the final analysis, Toronto may not face great hardships in employment, but it is likely to experience slower growth in personal income.

- the expected slowdown in the construction industry will have a greater effect on the COR than on the rest of the province. Particularly affected will be those COR areas which have been expecting new residential growth. With the unsold housing stock now at uncomfortable levels, York, Simcoe, Victoria, and Haldimand-Norfolk will experience slower growth in construction employment. Expected delays in the completion of non-residential projects could further contribute to a higher unemployment rate in the construction industry, and hence in the province as a whole.

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